

The best time to invest globally

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A South African-based investor who restricts investments solely to domestic stocks is leaving behind approximately 99.6% of equity opportunities. The SA economy represents 0.4% of global GDP, and the stock market is a similar proportion of the global equity investment opportunity set. These stark statistics highlight the incentives of investing offshore.

The SA market is one of the most concentrated: almost 30% of the market capitalisation is represented by just two stocks, and 50% by only five. Add to that the diversification benefits of investing in economies growing sustainably more quickly, in currencies that offer the prospect of long-term strength against the rand, in industries that are largely unavailable domestically, as well as in the world's established and emerging growth stocks, and the case for global diversification becomes compelling.

Fortunately for South Africans, regulations have been progressively eased, and there are increasingly efficient means of investing offshore, with a range of solutions to meet the wide range of risk preferences and objectives of retail investors, as well as investment platforms that remove the administrative burden.

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Momentum Wealth International (MWI) is one such platform. As a truly offshore business with roots in Guernsey, MWI offers a myriad of benefits for clients wishing to invest offshore, including effective estate planning, tax reduction for higher-net-wealth clients, investor protection, multiple currency reporting and, importantly, investment choice and flexibility. With a broader investment opportunity set being available offshore, the ability to access various unit trust funds, exchange traded funds (ETFs) and personal share portfolios in multiple foreign currencies is a clear benefit of the platform.

Against this background, a common question is: When is the best time to invest globally? Timing the entry point for investing is always difficult, and very few investors can demonstrate consistent success in doing so. ‘Time in the market almost always beats timing the market’ is never more relevant than when considering offshore investing.

In the long term, international equities are more likely to deliver real growth in inflation-adjusted terms, as well as diversification across a wide range of currencies, economies, markets and industries, while companies will offer investors a much smoother, more reliable, and more rewarding journey to achieve their goals than investing solely in a narrow domestic market.

It's also no longer the case that the administrative burdens of investing offshore, alongside the ‘misery of choice’ (how do I begin to make selection decisions?), are a deterrent; there are widely available solutions packaged simply and cost-effectively to enable SA-based investors to invest offshore immediately.

Our Momentum Global Managed Solutions fund range, as an example, takes the ‘guesswork’ out of navigating the investment choice as it includes three well-diversified, multi-asset-class funds that cater for a variety of risk appetites and time horizons. Investing globally should be for the long term. Whatever your starting point, careful selection, diversification and patience is likely to be rewarded, and will ensure your clients’ personal goals are met.

The best time to invest globally might well have been twenty years ago, but the second-best time might be now.

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